

QUARTERLY STATEMENT
OF THE
Volunteer State Health Plan, Inc.

of
Chattanooga
in the state of
Tennessee

TO THE
Insurance Department
OF THE STATE OF
Tennessee

FOR THE QUARTER ENDED
September 30, 2004

HEALTH QUARTERLY STATEMENT

AS OF September 30, 2004

OF THE CONDITION AND AFFAIRS OF THE

Volunteer State Health Plan, Inc.

NAIC Group Code	0000	0000	NAIC Company Code	Employer's ID Number	62-1656610
	(Current Period)	(Prior Period)			
Organized under the Laws of	Tennessee	State of Domicile or Port of Entry	Tennessee		
Country of Domicile	United States of America				
Licensed as business type:	Life, Accident & Health[] Dental Service Corporation[] Other[]	Property/Casualty[] Vision Service Corporation[] Is HMO Federally Qualified? Yes[] No[X]	Hospital, Medical & Dental Service or Indemnity[] Health Maintenance Organization[X]		
Date Incorporated or Organized	07/11/1996	Date Commenced Business	11/01/1996		
Statutory Home Office	801 Pine Street	Chattanooga, TN 37402			
	(Street and Number)	(City, or Town, State and Zip Code)			
Main Administrative Office	801 Pine Street				
	(Street and Number)				
	Chattanooga, TN 37402	(423)755-5600			
	(City or Town, State and Zip Code)	(Area Code) (Telephone Number)			
Mail Address	801 Pine Street	Chattanooga, TN 37402			
	(Street and Number or P.O. Box)	(City, or Town, State and Zip Code)			
Primary Location of Books and Records	801 Pine Street				
	(Street and Number)				
	Chattanooga, TN 37402	(423)755-5600			
	(City, or Town, State and Zip Code)	(Area Code) (Telephone Number)			
Internet Website Address	www.bcbst.com				
Statutory Statement Contact	Dana Elaine Hull	(423)752-7919			
	(Name)	(Area Code)(Telephone Number)(Extension)			
	Dana_Hull@bcbst.com	(423)752-8331			
	(E-Mail Address)	(Fax Number)			
Policyowner Relations Contact	801 Pine Street				
	(Street and Number)				
	Chattanooga , TN 37402	(423)755-5600			
	(City, or Town, State and Zip Code)	(Area Code) (Telephone Number)(Extension)			

OFFICERS

Ronald Ellis Harr, President & CEO
John Linville Shull, Secretary
David Lee Deal, Treasurer & CFO
Shelia Dian Clemons, Assistant Secretary
Harold Hoke Cantrell Jr., Assistant Treasurer

OTHERS

DIRECTORS OR TRUSTEES

Ronald Ellis Harr
David Lee Deal

Vicky Brown Gregg
Joan Carol Harp

State of Tennessee
County of Hamilton ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manuals except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)	(Signature)	(Signature)
Ronald Ellis Harr	John Linville Shull	David Lee Deal
(Printed Name)	(Printed Name)	(Printed Name)
President & CEO	Secretary	Treasurer & CFO
(Title)	(Title)	(Title)

Subscribed and sworn to before me this	a. Is this an original filing?	Yes[X] No[]
day of , 2004	b. If no,	
	1. State the amendment number	
	2. Date filed	
	3. Number of pages attached	

(Notary Public Signature)

ASSETS

		Current Statement Date			4
		1	2	3	
		Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	December 31, Prior Year Net Admitted Assets
1.	Bonds	26,836,992		26,836,992	16,735,531
2.	Stocks:				
2.1	Preferred stocks				
2.2	Common stocks				
3.	Mortgage loans on real estate:				
3.1	First liens				
3.2	Other than first liens				
4.	Real estate:				
4.1	Properties occupied by the company (less \$..... encumbrances)				
4.2	Properties held for the production of income (less \$..... encumbrances)				
4.3	Properties held for sale (less \$..... encumbrances)				
5.	Cash (\$.....(7,305,488)), cash equivalents (\$.....) and short-term investments \$.....48,167,535)	40,862,047		40,862,047	25,239,878
6.	Contract loans (including \$..... premium notes)				
7.	Other invested assets				
8.	Receivable for securities				
9.	Aggregate write-ins for invested assets				
10.	Subtotals, cash and invested assets (Lines 1 to 9)	67,699,039		67,699,039	41,975,409
11.	Investment income due and accrued	402,351		402,351	337,099
12.	Premiums and considerations:				
12.1	Uncollected premiums and agents' balances in the course of collection				
12.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$..... earned but unbilled premiums)				
12.3	Accrued retrospective premiums				
13.	Reinsurance:				
13.1	Amounts recoverable from reinsurers				
13.2	Funds held by or deposited with reinsured companies				
13.3	Other amounts receivable under reinsurance contracts				
14.	Amounts receivable relating to uninsured plans	7,253		7,253	1,340
15.1	Current federal and foreign income tax recoverable and interest thereon ...				
15.2	Net deferred tax asset	376,639	376,639		
16.	Guaranty funds receivable or on deposit				
17.	Electronic data processing equipment and software				
18.	Furniture and equipment, including health care delivery assets (\$.....)				
19.	Net adjustments in assets and liabilities due to foreign exchange rates				
20.	Receivables from parent, subsidiaries and affiliates				77,581
21.	Health care (\$.....) and other amounts receivable	55	55		53
22.	Other assets nonadmitted				
23.	Aggregate write-ins for other than invested assets	17,932	17,932		
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	68,503,269	394,626	68,108,643	42,391,482
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26.	TOTALS (Lines 24 and 25)	68,503,269	394,626	68,108,643	42,391,482
DETAILS OF WRITE-INS					
0901.	.....			
0902	.....			
0903	.....			
0998.	Summary of remaining write-ins for Line 9 from overflow page				
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)				
2301.	Remittances and items not allocated	17,932	17,932		
2302	.....			
2303	.....			
2398.	Summary of remaining write-ins for Line 23 from overflow page				
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	17,932	17,932		

LIABILITIES, CAPITAL AND SURPLUS

		Current Period			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less \$..... reinsurance ceded)				
2.	Accrued medical incentive pool and bonus amounts				
3.	Unpaid claims adjustment expenses				
4.	Aggregate health policy reserves				
5.	Aggregate life policy reserves				
6.	Property/casualty unearned premium reserve				
7.	Aggregate health claim reserves				
8.	Premiums received in advance				
9.	General expenses due or accrued	236,766		236,766	83,253
10.1	Current federal and foreign income tax payable and interest thereon (including \$..... on realized gains (losses))				
10.2	Net deferred tax liability				
11.	Ceded reinsurance premiums payable				
12.	Amounts withheld or retained for the account of others				
13.	Remittances and items not allocated				222,806
14.	Borrowed money (including \$..... current) and interest thereon \$..... (including \$..... current)				
15.	Amounts due to parent, subsidiaries and affiliates	282,785		282,785	
16.	Payable for securities				
17.	Funds held under reinsurance treaties with (\$..... authorized reinsurers and \$..... unauthorized reinsurers)				
18.	Reinsurance in unauthorized companies				
19.	Net adjustments in assets and liabilities due to foreign exchange rates				
20.	Liability for amounts held under uninsured accident and health plans	30,534,339		30,534,339	3,186,161
21.	Aggregate write-ins for other liabilities (including \$..... current)	6,247,318		6,247,318	6,136,457
22.	Total liabilities (Lines 1 to 21)	37,301,208		37,301,208	9,628,677
23.	Common capital stock	X X X	X X X	100,000	100,000
24.	Preferred capital stock	X X X	X X X		
25.	Gross paid in and contributed surplus	X X X	X X X		
26.	Surplus notes	X X X	X X X		
27.	Aggregate write-ins for other than special surplus funds	X X X	X X X		
28.	Unassigned funds (surplus)	X X X	X X X	30,707,435	32,662,805
29.	Less treasury stock, at cost:				
29.1	..... shares common (value included in Line 23 \$.....)	X X X	X X X		
29.2	..... shares preferred (value included in Line 24 \$.....)	X X X	X X X		
30.	Total capital and surplus (Lines 23 to 28 minus Line 29)	X X X	X X X	30,807,435	32,762,805
31.	Total liabilities, capital and surplus (Lines 22 and 30)	X X X	X X X	68,108,643	42,391,482
DETAILS OF WRITE-INS					
2101.	Due State of Tennessee	2,765,748		2,765,748	3,954,132
2102.	McKinsey Study Payable	2,200,000		2,200,000	
2103.	Stale Dated Checks	1,141,335		1,141,335	1,307,174
2198.	Summary of remaining write-ins for Line 21 from overflow page	140,235		140,235	875,151
2199.	TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above)	6,247,318		6,247,318	6,136,457
2701	.....	X X X	X X X		
2702	.....	X X X	X X X		
2703	.....	X X X	X X X		
2798.	Summary of remaining write-ins for Line 27 from overflow page	X X X	X X X		
2799.	TOTALS (Lines 2701 through 2703 plus 2798) (Line 27 above)	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

		Current Year To Date		Prior Year To Date
		1 Uncovered	2 Total	3 Total
1.	Member Months	X X X .....	.....	(111)
2.	Net premium income (including \$..... non-health premium income)	X X X	1,064,282	(2,992,209)
3.	Change in unearned premium reserves and reserves for rate credits	X X X .....	.....	.....
4.	Fee-for-service (net of \$..... medical expenses)	X X X .....	.....	.....
5.	Risk revenue	X X X .....	.....	.....
6.	Aggregate write-ins for other health care related revenues	X X X .....	.....	.....
7.	Aggregate write-ins for other non-health revenues	X X X .....	.....	.....
8.	Total revenues (Lines 2 to 7)	X X X	1,064,282	(2,992,209)
Hospital and Medical:				
9.	Hospital/medical benefits		1,845,148	(4,888,651)
10.	Other professional services		17,004	1,173,867
11.	Outside referrals .....		.....	.....
12.	Emergency room and out-of-area		(33,025)	(534,614)
13.	Prescription drugs		(2,788)	(1,179)
14.	Aggregate write-ins for other hospital and medical		476,831	475,704
15.	Incentive pool, withhold adjustments and bonus amounts .....		.....	769,092
16.	Subtotal (Lines 9 to 15)		2,303,170	(3,005,781)
Less:				
17.	Net reinsurance recoveries .....		.....	.....
18.	Total hospital and medical (Lines 16 minus 17)		2,303,170	(3,005,781)
19.	Non-health claims .....		.....	.....
20.	Claims adjustment expenses, including \$.....158,441 cost containment expenses		1,227,360	966,200
21.	General administrative expenses		1,004,203	790,527
22.	Increase in reserves for life and accident and health contracts (including \$..... increase in reserves for life only) .....		.....	.....
23.	Total underwriting deductions (Lines 18 through 22)		4,534,733	(1,249,054)
24.	Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	(3,470,451)	(1,743,155)
25.	Net investment income earned		491,580	389,001
26.	Net realized capital gains (losses)		(4,683)	.....
27.	Net investment gains or (losses) (Lines 25 plus 26)		486,897	389,001
28.	Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....) (amount charged off \$.....)] .....		.....	.....
29.	Aggregate write-ins for other income or expenses .....		.....	.....
30.	Net income or (loss) before federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	(2,983,554)	(1,354,154)
31.	Federal and foreign income taxes incurred	X X X	(1,304,874)	(473,335)
32.	Net income (loss) (Lines 30 minus 31)	X X X	(1,678,680)	(880,819)
DETAILS OF WRITE-INS				
0601.	GME, Meharry, and Essential Provider Payment Revenues	X X X	158,791,575	115,603,400
0602.	Premium Taxes on GME, Meharry, and Essential Provider Payment Revenues	X X X	(1,135,015)	(2,312,068)
0603.	Meharry Dental Payment	X X X	(2,461,149)	(4,942,107)
0698.	Summary of remaining write-ins for Line 6 from overflow page	X X X	(155,195,411)	(108,349,225)
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X .....	.....	.....
0701	.....	X X X .....	.....	.....
0702	.....	X X X .....	.....	.....
0703	.....	X X X .....	.....	.....
0798.	Summary of remaining write-ins for Line 7 from overflow page	X X X .....	.....	.....
0799.	TOTALS (Lines 0701 through 0703 plus 0798) (Line 7 above)	X X X .....	.....	.....
1401.	Exigency Post-Settlement Activity		476,831	475,704
1402	.....		.....	.....
1403	.....		.....	.....
1498.	Summary of remaining write-ins for Line 14 from overflow page .....		.....	.....
1499.	TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)		476,831	475,704
2901	.....		.....	.....
2902	.....		.....	.....
2903	.....		.....	.....
2998.	Summary of remaining write-ins for Line 29 from overflow page .....		.....	.....
2999.	TOTALS (Lines 2901 through 2903 plus 2998) (Line 29 above) .....		.....	.....

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1	2
		Current Year To Date	Prior Year
CAPITAL & SURPLUS ACCOUNT			
33.	Capital and surplus prior reporting year	32,762,805	34,673,137
GAINS AND LOSSES TO CAPITAL & SURPLUS			
34.	Net income or (loss) from Line 32	(1,678,680)	(250,577)
35.	Change in valuation basis of aggregate policy and claim reserves		
36.	Net unrealized capital gains and losses		
37.	Change in net unrealized foreign exchange capital gain or (loss)		
38.	Change in net deferred income tax	(519,314)	(2,964,661)
39.	Change in nonadmitted assets	242,624	5,330,324
40.	Change in unauthorized reinsurance		
41.	Change in treasury stock		
42.	Change in surplus notes		
43.	Cumulative effect of changes in accounting principles		
44.	Capital Changes:		
44.1	Paid in		
44.2	Transferred from surplus (Stock Dividend)		
44.3	Transferred to surplus		
45.	Surplus adjustments:		
45.1	Paid in		
45.2	Transferred to capital (Stock Dividend)		
45.3	Transferred from capital		
46.	Dividends to stockholders		
47.	Aggregate write-ins for gains or (losses) in surplus		(4,025,418)
48.	Net change in capital and surplus (Lines 34 to 47)	(1,955,370)	(1,910,332)
49.	Capital and surplus end of reporting period (Line 33 plus 48)	30,807,435	32,762,805
DETAILS OF WRITE-INS			
4701.	Correction of error to deferred tax calculation		(4,025,418)
4702.	.....	
4703	.....	
4798.	Summary of remaining write-ins for Line 47 from overflow page		
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above)		(4,025,418)

Report #2A: VOLUNTEER STATE HEALTH PLAN, INC STATEMENT OF REVENUES AND EXPENSES			
	Current Year		Previous Year
	Current Period	Year-to-date Total	Total
MEMBER MONTHS	-	-	(111)
REVENUES:			
1. TennCare Capitation	(51,974)	1,064,282	(3,418,182)
2. Adverse Selection	-	-	-
3. Total TennCare Revenue (Lines 1 and 2)	(51,974)	1,064,282	(3,418,182)
4. Investment	156,582	486,897	501,165
5. Other Revenue (Provide Detail)	-	-	-
6. TOTAL REVENUES (Lines 1 to 5)	104,608	1,551,179	(2,917,017)
EXPENSES:			
Medical and Hospital Services:			
7. Capitated Physician Services	-	-	(222)
8. Fee-for Service Physician Services	(3,644)	236,479	(1,093,501)
9. Inpatient Hospital Services	(8,417)	465,852	(997,409)
10. Outpatient Services	1,930,259	1,835,673	(589,196)
11. Emergency Room Services	(14,234)	(38,523)	(44,137)
12. Mental Health Services	-	-	-
13. Dental Services	-	-	(15,681)
14. Vision Services	-	40	(556)
15. Pharmacy Services	(1,088)	(1,088)	66,871
16. Home Health Services	203	(654)	(80,199)
17. Chiropractic Services	-	-	-
18. Radiology Services	(2,005)	(15,243)	11,188
19. Laboratory Services	298	(1,611)	4,909
20. Durable Medical Services	3,143	26,719	(135,120)
21. Transportation Services	(1,567)	7,703	(170,318)
22. Outside Referrals	-	-	-
23. Medical Incentive Pool and Withhold Adjustments	-	-	-
24. Occupancy, Depreciation, and Amortization	-	-	-
25. Other Medical and Hospital Services (Provide Detail)	75,525	435,945	773,973
26. Subtotal (Lines 7 to 25)	1,978,473	2,951,292	(2,269,398)
LESS:			
27. Reinsurance Expenses Net of Recoveries			
28. Copayments	(330)	(329)	(30,724)
29. Subrogation and Coordination of Benefits	215,723	648,451	1,712,239
30. Subtotal (Lines 27 to 29)	215,393	648,122	1,681,515
31. TOTAL MEDICAL AND HOSPITAL (Lines 26 minus line 30)	1,763,080	2,303,170	(3,950,913)
Administration:			
32. Compensation	777,189	1,487,517	1,300,468
33. Marketing	-	-	-
34. Interest Expense	-	-	-
35. Premium Tax Expense	(1,039)	21,286	(68,364)
36. Occupancy, Depreciation and Amortization	94,695	181,243	158,452
37. Other Administration (Provide Detail)	282,927	541,517	473,425
38. TOTAL ADMINISTRATION (Lines 32 to 37)	1,153,772	2,231,563	1,863,981
39. TOTAL EXPENSES (Lines 31 and 38)	2,916,852	4,534,733	(2,086,932)
40. Extraordinary Item			
41. Provision for Federal Income Taxes	(980,829)	(1,304,874)	(579,508)
42. NET INCOME/(LOSS) (Line 6 less Lines 39,40 and 41))	(1,831,415)	(1,678,680)	(250,577)
DETAILS OF WRITE-INS			
0501. GME, Meharry, & Essential Provider Payment Revenues	15,702,555	158,791,575	121,487,264
0502. GME, Meharry, Critical Access, and EPP Premium Taxes	(314,051)	(1,135,015)	(2,429,745)
0503. Meharry Payments	-	(2,461,149)	(7,403,256)
0504. Critical Access Payments	(1,341,831)	(3,018,819)	(3,305,038)
0505. GME Payments	(14,046,673)	(50,135,776)	(33,349,225)
0506. Essential Provider Payments (EPP)	-	(102,040,816)	(75,000,000)
0599. TOTALS	-	-	-
2501. Exigency Post-Settlement Activity	61,442	476,831	810,534
2502. Out of Area Claims	79	5,323	284
2503. PT/OT/ST, Supplies, Prosthetics, etc.	(557)	(5,237)	1,696
2504. Bad Debt Expense	14,561	(40,972)	(38,541)
2599. TOTALS	75,525	435,945	773,973
3701. Equipment	118,946	227,659	199,031
3702. Postage/Telephone	56,586	108,304	94,685
3703. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc.	55,429	106,092	92,753
3704. Auditing, Actuarial, and Other Consulting	18,477	35,364	30,918
3705. Outsourced Services	17,322	33,154	28,985
3706. Printing and Stationary	16,167	30,944	27,053
3799. TOTALS	282,927	541,517	473,425

Report #2A: TennCare Select Only			
	Current Year		Previous Year
	Current Period	Year-to-date Total	Total
MEMBER MONTHS	1,400,517	4,197,215	4,176,117
REVENUES:			
1. TennCare Capitation	251,681,622	755,168,167	721,556,192
2. Adverse Selection	-	-	-
3. Total TennCare Revenue (Lines 1 and 2)	251,681,622	755,168,167	721,556,192
4. Investment	-	-	-
5. Other Revenue (Provide Detail)	-	-	-
6. TOTAL REVENUES (Lines 1 to 5)	251,681,622	755,168,167	721,556,192
EXPENSES:			
Medical and Hospital Services:			
7. Capitated Physician Services	1,560,894	4,717,783	4,214,771
8. Fee-for Service Physician Services	69,963,477	219,129,659	211,910,391
9. Inpatient Hospital Services	69,367,960	211,532,165	192,306,728
10. Outpatient Services	39,087,893	115,086,771	87,466,779
11. Emergency Room Services	8,012,934	23,730,228	15,963,152
12. Mental Health Services	-	-	-
13. Dental Services	1,264	2,784	24,597
14. Vision Services	139,043	441,214	555,772
15. Pharmacy Services	(49)	(75,737)	53,643,132
16. Home Health Services	11,639,148	31,212,853	26,955,672
17. Chiropractic Services	-	-	-
18. Radiology Services	6,172,226	17,738,857	15,408,667
19. Laboratory Services	4,313,167	12,911,774	12,294,519
20. Durable Medical Services	5,292,076	15,943,853	12,041,982
21. Transportation Services	6,974,444	20,071,269	15,491,840
22. Outside Referrals	-	-	-
23. Medical Incentive Pool and Withhold Adjustments	-	-	4,980
24. Occupancy, Depreciation, and Amortization	-	-	-
25. Other Medical and Hospital Services (Provide Detail)	8,301,153	18,695,078	7,624,865
26. Subtotal (Lines 7 to 25)	230,825,630	691,138,551	655,907,847
LESS:			
27. Reinsurance Expenses Net of Recoveries			
28. Copayments	427,142	1,354,182	1,129,894
29. Subrogation and Coordination of Benefits	499,317	1,377,628	1,878,092
30. Subtotal (Lines 27 to 29)	926,459	2,731,810	3,007,986
31. TOTAL MEDICAL AND HOSPITAL (Lines 26 minus line 30)	229,899,171	688,406,741	652,899,861
Administration:			
32. Compensation	11,751,380	35,247,658	36,514,090
33. Marketing	-		
34. Interest Expense	-		
35. Premium Tax Expense	5,033,632	15,103,363	14,431,124
36. Occupancy, Depreciation and Amortization	1,431,818	4,294,663	4,448,968
37. Other Administration (Provide Detail)	4,277,992	12,831,613	13,292,649
38. TOTAL ADMINISTRATION (Lines 32 to 37)	22,494,822	67,477,297	68,686,831
39. TOTAL EXPENSES (Lines 31 and 38)	252,393,993	755,884,038	721,586,692
40. Extraordinary Item			
41. Provision for Federal Income Taxes	(249,330)	(250,555)	(10,675)
42. NET INCOME/(LOSS) (Line 6 less Lines 39,40 and 41))	(463,041)	(465,316)	(19,825)
DETAILS OF WRITE-INS			
2501. PT/OT/ST, Supplies, Prosthetics, etc.	5,112,761	12,287,690	7,245,554
2502. Out of Area Claims Expense	2,511,181	5,355,325	211,361
2503. Bad Debt Expense	677,211	1,052,063	167,950
2599. TOTALS	8,301,153	18,695,078	7,624,865
3701. Equipment Rental	1,798,503	5,394,515	5,588,338
3702. Postage/Telephone	855,599	2,566,323	2,658,529
3704. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc.	838,136	2,513,948	2,604,276
3706. Auditing, Actuarial, and Other Consulting	279,379	837,983	868,091
3703. Outsourced Services	261,918	785,609	813,835
3705. Printing and Stationary	244,457	733,235	759,580
3799. TOTALS	4,277,992	12,831,613	13,292,649

Report #2A: Stabilization Plan Only			
	Current Year		Previous Year
	Current Period	Year-to-date Total	Total
MEMBER MONTHS	801,297	2,415,062	3,179,425
REVENUES:			
1. TennCare Capitation	136,232,817	403,693,129	571,274,288
2. Adverse Selection	-	-	-
3. Total TennCare Revenue (Lines 1 and 2)	136,232,817	403,693,129	571,274,288
4. Investment	-	-	-
5. Other Revenue (Provide Detail)	-	-	-
6. TOTAL REVENUES (Lines 1 to 5)	136,232,817	403,693,129	571,274,288
EXPENSES:			
Medical and Hospital Services:			
7. Capitated Physician Services	1,220,383	3,687,952	7,301,171
8. Fee-for Service Physician Services	44,009,907	134,317,342	165,263,450
9. Inpatient Hospital Services	32,858,211	97,855,484	124,042,441
10. Outpatient Services	21,422,066	61,744,946	75,426,055
11. Emergency Room Services	4,022,636	11,581,532	12,475,319
12. Mental Health Services	-	-	-
13. Dental Services	623	1,873	26,938
14. Vision Services	78,704	232,663	341,961
15. Pharmacy Services	-	(107,678)	83,579,692
16. Home Health Services	5,270,027	13,401,471	11,771,567
17. Chiropractic Services	-	-	-
18. Radiology Services	3,444,881	10,109,311	11,359,958
19. Laboratory Services	2,883,030	8,288,205	10,101,301
20. Durable Medical Services	3,390,841	9,741,768	10,340,145
21. Transportation Services	2,662,720	8,004,341	9,362,461
22. Outside Referrals	-	-	-
23. Medical Incentive Pool and Withhold Adjustments	-	-	10,956
24. Occupancy, Depreciation, and Amortization	-	-	-
25. Other Medical and Hospital Services (Provide Detail)	3,822,162	8,770,218	4,834,032
26. Subtotal (Lines 7 to 25)	125,086,191	367,629,428	526,237,447
LESS:			
27. Reinsurance Expenses Net of Recoveries			
28. Copayments	292,303	914,743	1,269,346
29. Subrogation and Coordination of Benefits	356,818	951,260	1,605,039
30. Subtotal (Lines 27 to 29)	649,121	1,866,003	2,874,385
31. TOTAL MEDICAL AND HOSPITAL (Lines 26 minus line 30)	124,437,070	365,763,425	523,363,062
Administration:			
32. Compensation	6,933,889	20,927,411	24,554,902
33. Marketing	-		
34. Interest Expense	-		
35. Premium Tax Expense	2,724,657	8,073,863	11,425,486
36. Occupancy, Depreciation and Amortization	844,842	2,549,848	2,991,831
37. Other Administration (Provide Detail)	2,524,227	7,618,450	8,939,007
38. TOTAL ADMINISTRATION (Lines 32 to 37)	13,027,615	39,169,572	47,911,226
39. TOTAL EXPENSES (Lines 31 and 38)	137,464,685	404,932,997	571,274,288
40. Extraordinary Item			
41. Provision for Federal Income Taxes	(431,153)	(433,953)	-
42. NET INCOME/(LOSS) (Line 6 less Lines 39,40 and 41))	(800,715)	(805,915)	-
DETAILS OF WRITE-INS			
2501. PT/OT/ST, Supplies, Prosthetics, etc.	1,785,988	5,261,601	4,621,660
2502. Out of Area Claims Expense	886,391	2,120,787	149,930
2503. Bad Debt Expense	1,149,783	1,387,830	62,442
2599. TOTALS	3,822,162	8,770,218	4,834,032
3701. Equipment Rental	1,061,206	3,202,858	3,758,031
3702. Postage/Telephone	504,845	1,523,690	1,787,801
3703. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc.	494,542	1,492,595	1,751,317
3704. Auditing, Actuarial, and Other Consulting	164,847	497,531	583,772
3705. Outsourced Services	154,545	466,436	547,286
3706. Printing and Stationary	144,242	435,340	510,800
		-	-
3799. TOTALS	2,524,227	7,618,450	8,939,007

CASH FLOW

		1 Current Year To Date	2 Prior Year Ended December 31
Cash from Operations			
1.	Premiums collected net of reinsurance	1,064,282	(3,418,182)
2.	Net investment income	1,015,856	1,190,059
3.	Miscellaneous income		
4.	Total (Lines 1 through 3)	2,080,138	(2,228,123)
5.	Benefit and loss related payments	2,303,170	(2,394,528)
6.	Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	(25,264,215)	3,257,166
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) \$..... net of tax on capital gains (losses)	(1,046,171)	347,357
10.	Total (Lines 5 through 9)	(24,007,216)	1,209,995
11.	Net cash from operations (Line 4 minus Line 10)	26,087,354	(3,438,118)
Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds	17,449,457	4,000,000
12.2	Stocks		
12.3	Mortgage loans		
12.4	Real estate		
12.5	Other invested assets		
12.6	Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7	Miscellaneous proceeds		
12.8	Total investment proceeds (Lines 12.1 to 12.7)	17,449,457	4,000,000
13.	Cost of investments acquired (long-term only):		
13.1	Bonds	28,145,129	1,319,844
13.2	Stocks		
13.3	Mortgage loans		
13.4	Real estate		
13.5	Other invested assets		
13.6	Miscellaneous applications		
13.7	Total investments acquired (Lines 13.1 to 13.6)	28,145,129	1,319,844
14.	Net increase (or decrease) in policy loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Lines 13.7 and 14)	(10,695,672)	2,680,156
Cash from Financing and Miscellaneous Sources			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes		
16.2	Capital and paid in surplus, less treasury stock		
16.3	Borrowed funds		
16.4	Net deposits on deposit-type contracts and other insurance liabilities		
16.5	Dividends to stockholders		
16.6	Other cash provided (applied)	230,487	(4,146,162)
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	230,487	(4,146,162)
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS			
18.	Net change in cash and short-term investments (Lines 11 plus 15 plus 17)	15,622,169	(4,904,124)
19.	Cash and short-term investments:		
19.1	Beginning of year	25,239,878	30,144,002
19.2	End of period (Line 18 plus Line 19.1)	40,862,047	25,239,878

Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:

Description		Amount 1	Amount 2
20.0001		

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1	Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10	11	12	13
		2	3										
	Total	Individual	Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other
Total Members at end of:													
1. Prior Year													
2. First Quarter													
3. Second Quarter													
4. Third Quarter													
5. Current Year													
6. Current Year Member Months													
Total Member Ambulatory Encounters for Period:													
7. Physician	(199)								(199)				
8. Non-Physician	119								119				
9. Total	(80)								(80)				
10. Hospital Patient Days Incurred	241								241				
11. Number of Inpatient Admissions	(31)								(31)				
12. Health Premiums Written	1,064,282								1,064,282				
13. Life Premiums Direct													
14. Property/Casualty Premiums Written													
15. Health Premiums Earned	1,064,282								1,064,282				
16. Property/Casualty Premiums Earned													
17. Amount Paid for Provision of Health Care Services ...	2,303,170								2,303,170				
18. Amount Incurred for Provision of Health Care Services	2,303,170								2,303,170				

CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)

Aging Analysis of Unpaid Claims						
1 Account	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 91 - 120 days	6 Over 120 Days	7 Total
<div>NONE</div>						
0899999 Accrued Medical Incentive Pool And Bonus Amounts

UNDERWRITING AND INVESTMENT EXHIBIT

ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

Line of Business		Claims Paid Year to Date		Liability End of Current Quarter		5 Claims Incurred in Prior Years (Columns 1+3)	6 Estimated Claim Reserve and Claim Liability Dec.31 of Prior Year
		1	2	3	4		
		On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid Dec.31 of Prior Year	On Claims Incurred During the Year		
1.	Comprehensive (hospital & medical) .....	.....	.....	.....	.....	.....	.....
2.	Medicare Supplement .....	.....	.....	.....	.....	.....	.....
3.	Dental only .....	.....	.....	.....	.....	.....	.....
4.	Vision only .....	.....	.....	.....	.....	.....	.....
5.	Federal Employees Health Benefits Plan .....	.....	.....	.....	.....	.....	.....
6.	Title XVIII - Medicare .....	.....	.....	.....	.....	.....	.....
7.	Title XIX - Medicaid	2,303,170	.....	.....	.....	2,303,170	.....
8.	Other health .....	.....	.....	.....	.....	.....	.....
9.	Health subtotal (Lines 1 to 8)	2,303,170	.....	.....	.....	2,303,170	.....
10.	Other non-health .....	.....	.....	.....	.....	.....	.....
11.	Medical incentive pools, and bonus amounts .....	.....	.....	.....	.....	.....	.....
12.	TOTALS	2,303,170	.....	.....	.....	2,303,170	.....

Notes to Financial Statement

1. Summary of Significant Accounting Policies

A. Accounting Practices

The financial statements of Volunteer State Health Plan, Inc. (VSHP) (the Company) are presented on the basis of accounting practices prescribed or permitted by the Tennessee Department of Commerce and Insurance (TDCI).

The TDCI, TennCare Division, recognizes only statutory accounting practices prescribed or permitted by the State of Tennessee for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Tennessee Insurance Law. The National Association of Insurance Commissioners’ (NAIC) *Accounting Practices and Procedures* manual (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the State of Tennessee. The Commissioner of Insurance has the right to permit specific practices that deviate from prescribed practices.

The Company, at the direction of the Commissioner of Insurance of the State of Tennessee, records premium and claims equivalents for the uninsured Exigency period (July 1, 2000 – June 30, 2001), instead of reporting the net gain/(loss) in the general administrative expense line of the current year column as required by NAIC SAP. If premium equivalents were not recorded, revenues would not be increased and claims would be decreased \$99,840 YTD. The Exigency agreement with the State allowed VSHP to retain 1/3 of any gain and the State to receive 2/3 of any gain. The State covers any claims losses. This activity is settled monthly on a cash basis.

At the request of the TDCI, TennCare Division, VSHP no longer reports for ASOs the receivables and associated payables to the State of Tennessee for pharmacy rebates, investment interest income, and premium taxes. The rationale behind the exclusion is these assets have no economic benefit to VSHP.

Tennessee State law allows a prescribed practice of admitting the most current 90 days of Health Care Receivables (per Tennessee Code Annotated (TCA) §56-32-212 (a) 5D).

A reconciliation of the Company’s net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the State of Tennessee at September 30, 2004 is shown below:

	<u>2004</u>	<u>2003</u>
(1) Net Income Tennessee state basis	\$ (1,678,680)	\$ (250,577)
(2) Tennessee Prescribed Practices (Income):		
Admission of Health Care Receivables	<u>0</u>	<u>0</u>
(3) Net Income, NAIC SAP	(1,678,680)	(250,577)
(4) Statutory Surplus, State of Tennessee	30,807,435	32,762,805
(5) Tennessee Prescribed Practices (Surplus):		
Admission of Health Care Receivables	<u>0</u>	<u>(53)</u>
(6) Statutory Surplus, NAIC SAP	\$ 30,807,435	\$ 32,762,752

B. Use of Estimates in the Preparation of the Financial Statements

No Change

C. Accounting Policy

No Change

2. Accounting Changes and Corrections of Errors

No Change

3. Business Combinations and Goodwill

No Change

4. Discontinued Operations

No Change

5. Investments

No Change

6. Joint Ventures, Partnerships and Limited Liability Companies

No Change

Notes to Financial Statement

7. Investment Income

No Change

8. Derivative Instruments

No Change

9. Income Taxes

A. The components of the net DTA recognized in the Company’s Assets, Liabilities, Surplus, and Other Funds are as follows:

	<u>September 30, 2004</u>	<u>December 31, 2003</u>
(1)Total gross deferred tax assets	\$ 376,639	\$ 637,250
(2)Total of deferred tax liabilities	<u>0</u>	<u>0</u>
(3)Net deferred tax asset	376,639	637,250
(4)Deferred tax asset nonadmitted	<u>376,639</u>	<u>637,250</u>
(5)Net admitted deferred tax asset	0	0
(6)Increase (decrease) in nonadmitted asset	\$ (260,611)	\$ (335,524)

B. No Change

C. The provisions for incurred taxes on earnings for the periods ended September 30, 2004 and December 31, 2003 are:

	<u>2004</u>	<u>2003</u>
Federal	\$ (1,304,874)	\$ (579,508)
Foreign	<u>0</u>	<u>0</u>
	(1,304,874)	(579,508)
Federal income tax on net capital gains	0	0
Utilization of capital loss carry-forwards	<u>0</u>	<u>0</u>
Federal and foreign income taxes incurred	\$ (1,304,874)	\$ (579,508)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are as follows:

	<u>September 30, 2004</u>	<u>December 31, 2003</u>
Deferred tax assets:		
Loss Reserve Discounting	\$ 0	\$ 1,309
Receivables	376,639	390,941
Contingency	<u>0</u>	<u>245,000</u>
Total deferred tax assets	376,639	637,250
Nonadmitted deferred tax assets	<u>376,639</u>	<u>(637,250)</u>
Admitted deferred tax assets	0	0
Deferred tax liabilities	<u>0</u>	<u>0</u>
Net admitted deferred tax asset	\$ 0	\$ 0

D. The provision for federal and foreign income taxes incurred at September 30, 2004 is different from that which would be obtained by applying the statutory Federal income tax rate to income before taxes. The significant items causing this difference are as follows:

	<u>September 30, 2004</u>	<u>Effective Tax Rate</u>
Provision computed at statutory rate	\$ (1,044,244)	(35.0)%
Loss Reserve Discounting	(1,309)	0.0 %
Contingency	(245,000)	(8.2)%
Receivables	(14,321)	(0.5)%
Total	(1,304,874)	(43.7)%
Federal and foreign income taxes incurred	(1,044,244)	(35.0)%
Change in net deferred income taxes	<u>(260,630)</u>	(8.7)%
Total statutory income taxes	(1,304,874)	(43.7)%

E. No Change

Notes to Financial Statement

F. The Company’s federal Income Tax return is consolidated with the following entities:

- BlueCross BlueShield of Tennessee, Inc.
- Tennessee Health Care Network, Inc.
- Golden Security Insurance Company
- Group Insurance Services, Inc.
- Southern Diversified Business Services, Inc.

The method of tax allocation between members of the affiliated group is subject to written agreement, approved by the Board of Directors. Allocation is based upon a percentage calculation. Intercompany tax balances are settled monthly.

10. Information Concerning Parent, Subsidiaries and Affiliates

The Parent owns Volunteer State Health Plan, Inc. (VSHP) and Southern Diversified Business Services, Inc. (SDBS) which holds 100% of the stock of Golden Security Insurance Company (GSI), and Group Insurance Services, Inc. (GIS). SDBS holds 39% stock interest in H A Holdings, Inc. SDBS purchased a 10% stock interest in US Able Life, Inc. for \$10,000,000 on June 4, 2004. The Parent made an investment of \$15,655,031 for a 99% interest in GDRG, LLC. GDRG, LLC is a limited liability company whose primary purpose is to acquire, own, hold, maintain, operate, and develop real property.

Tennessee Health Care Network, Inc. (THCN), which was owned by the Company, ceased operations as of December 31, 2002. THCN ceased corporate existence effective June 30, 2004. THCN’s remaining assets and liabilities as of 6/30/2004 were transferred to the Parent’s balance sheet.

11. Debt

No Change

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

No Change

13. Capital and Surplus, Shareholders’ Dividend Restrictions and Quasi-Reorganizations

No Change

14. Contingencies

No Change

15. Leases

No Change

16. Information About Financial Instruments With Off-Balance Sheet Risk And Financial Instruments With Concentrations of Credit Risk

No Change

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

C. Wash Sales

Not Applicable

18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

A. ASO Plan:

TennCare Select, effective July 1, 2001, and the Stabilization Plan, effective July 1, 2002, are ASO arrangements with the State. The administrative fees received are equivalent to the expenses recorded. Per an Administrative Service Agreement, these expenses are paid to the Parent, who records any gain or (loss) on their books. TennCare Select is reported on the supplemental income statement (Report #2A, p. 5.2). The Stabilization Plan is reported on the supplemental income statement (Report #2A, p. 5.3) All assets related to TennCare Select and the Stabilization Plan are reported in their appropriate categories on the balance sheet. All liabilities for the ASO plans are netted on page 3, line 20 in the category labeled “Liability for amounts held under uninsured accident and health plans”, excluding any ‘due to/from’ transactions occurring between the ASO, insured business, and the Parent.

Notes to Financial Statement

The gain from operations from Administrative Services Only (ASO) uninsured plans and the uninsured portion of partially insured plans was as follows during 2004:

	(1)	(2)	(3)
	ASO Uninsured <u>Plans</u>	Uninsured Portion of Partially Insured <u>Plans</u>	Total <u>ASO</u>
a. Net reimbursement for Administrative Expenses (including Administrative Fees) In excess of actual expenses	\$ (11,500)	\$0	\$ (11,500)
b. Total Net Other Income or Expenses (including interest paid to or received from plans)	(1,944,239)	0	(1,944,239)
c. Net Gain or (Loss) from operations	(1,955,739)	0	(1,955,739)
d. Total Claims Payment Volume	\$1,020,841,747	\$0	\$1,020,841,747

B. ASC Plan

The Company operated under an Exigency agreement with the State for the period July 1, 2000 through June 30, 2001. At the direction of the TDCI, premium and claims equivalents are disseminated throughout the NAIC filing.

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contract:

Not Applicable

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators.
No Change

20. September 11 Events
No Change

21. Other Items
No Change

22. Events Subsequent

On June 30, 2004, the Company advised the State that they would no longer be participating in the BlueCare Contractor Risk Agreement after December 31, 2004.

23. Reinsurance
No Change

24. Retrospectively Rated Contracts
No Change

25. Change in Incurred Claims and Claim Adjustment Expenses
No Change

26. Intercompany Pooling Arrangements
No Change

27. Structured Settlements
No Change

28. Health Care Receivables
No Change

29. Participating Policies
No Change

30. Premium Deficiency Reserve
No Change

Notes to Financial Statement

31. Anticipated Salvage and Subrogation

 No Change

GENERAL INTERROGATORIES
(Responses to these interrogatories should be based on changes that have occurred since the prior year end unless otherwise noted)

PART 1 - COMMON INTERROGATORIES
GENERAL

- 1.1 Did the reporting entity implement any significant accounting policy changes which would require disclosure in the Notes to the Financial Statements?

Yes[] No[X]
- 1.2 If yes, explain:
- 2.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act?

Yes[] No[X]
- 2.2 If yes, has the report been filed with the domiciliary state?

Yes[] No[] N/A[X]
- 3.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes[] No[X]
- 3.2 If yes, date of change:
If not previously filed, furnish herewith a certified copy of the instrument as amended.
4. Have there been any substantial changes in the organizational chart since the prior quarter end?
If yes, complete the Schedule Y - Part 1 - organization chart

Yes[] No[X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes[] No[X]
- 5.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile
.....

6. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved?
If yes, attach an explanation.

Yes[] No[X] N/A[]
- 7.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2002
- 7.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2002
- 7.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

12/10/2003
- 7.4 By what department or departments?
Tennessee Department of Commerce and Insurance
- 8.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.)

Yes[] No[X]
- 8.2 If yes, give full information
- 9.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes[] No[X]
- 9.2 If response to 9.1 is yes, please identify the name of the bank holding company.
- 9.3 Is the company affiliated with one or more banks, thrifts or securities firms?

Yes[] No[X]
- 9.4 If response to 9.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC
..... Yes[] No[X]	. Yes[] No[X]	. Yes[] No[X]	. Yes[] No[X]	. Yes[] No[X]

INVESTMENT

- 10.1 Has there been any changes in the reporting entity's own preferred or common stock?

Yes[] No[X]
- 10.2 If yes, explain:
- 11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.)

Yes[] No[X]
- 11.2 If yes, give full and complete information relating thereto:
12. Amount of real estate and mortgages held in other invested assets in Schedule BA:

\$
13. Amount of real estate and mortgages held in short-term investments:

\$
- 14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates?

Yes[] No[X]
- 14.2 If yes, please complete the following:

GENERAL INTERROGATORIES (Continued)

		1	2
		Prior Year-End Statement Value	Current Quarter Statement Value
14.21	Bonds .....	.....	.....
14.22	Preferred Stock .....	.....	.....
14.23	Common Stock .....	.....	.....
14.24	Short-Term Investments .....	.....	.....
14.25	Mortgages, Loans or Real Estate .....	.....	.....
14.26	All Other .....	.....	.....
14.27	Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26) .....	.....	.....
14.28	Total Investment in Parent included in Lines 14.21 to 14.26 above .....	.....	.....
14.29	Receivable from Parent not included in Lines 14.21 to 14.26 above .....	.....	.....

- 15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB?

Yes[] No[X]
- 15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?
If no, attach a description with this statement.

Yes[] No[] N/A[X]
16. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity’s offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV, H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

Yes[X] No[]
- 16.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1	2
Name of Custodian(s)	Custodian Address
Union Planters Bank, N.A.	PO Box 387 Memphis, TN 38147

- 16.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1	2	3
Name(s)	Location(s)	Complete Explanation(s)
.....

- 16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter?

Yes[] No[X]
- 16.4 If yes, give full and complete information relating thereto:

1	2	3	4
Old Custodian	New Custodian	Date of Change	Reason
.....

- 16.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1	2	3
Central Registration Depository	Name(s)	Address
111807	Union Planter’s Bank N.A	PO Box 387 Memphis, TN 38147

		1	2
		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value, December 31 of prior year		
2.	Increase (decrease) by adjustment		
3.	Cost of acquired		
4.	Cost of additions to and permanent improvements		
5.	Total profit (loss) on sales		
6.	Increase (decrease) by foreign exchange adjustment		
7.	Amount received on sales		
8.	Book/adjusted carrying value at end of current period		
9.	Total valuation allowance		
10.	Subtotal (Lines 8 plus 9)		
11.	Total nonadmitted amounts		
12.	Statement value, current period (Page 2, real estate lines, Net Admitted Assets column)		

SCHEDULE B - VERIFICATION

		1	2
		Year To Date	Prior Year Ended December 31
1.	Book value/recorded investment excluding accrued interest on mortgages owned, December 31 of prior year ..		
2.	Amount loaned during period:		
2.1	Actual cost at time of acquisitions		
2.2	Additional investment made after acquisitions		
3.	Accrual of discount and mortgage interest points and commitment fees		
4.	Increase (decrease) by adjustment		
5.	Total profit (loss) on sale		
6.	Amounts paid on account or in full during the period		
7.	Amortization of premium		
8.	Increase (decrease) by foreign exchange adjustment		
9.	Book value/recorded investment excluding accrued interest on mortgages owned at end of current period		
10.	Total valuation allowance		
11.	Subtotal (Lines 9 plus 10)		
12.	Total nonadmitted amounts		
13.	Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets column)		

SCHEDULE BA - VERIFICATION
Other Invested Assets Included in Schedule BA

		1	2
Description		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year		
2.	Cost of acquisitions during period:		
2.1	Actual cost at time of acquisitions		
2.2	Additional investment made after acquisitions		
3.	Accrual of discount		
4.	Increase (decrease) by adjustment		
5.	Total profit (loss) on sale		
6.	Amounts paid on account or in full during the period		
7.	Amortization of premium		
8.	Increase (decrease) by foreign exchange adjustment		
9.	Book/adjusted carrying value of long-term invested assets at end of current period		
10.	Total valuation allowance		
11.	Subtotal (Lines 9 plus 10)		
12.	Total nonadmitted amounts		
13.	Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3)		

SCHEDULE D - VERIFICATION

		1	2
		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value of bonds and stocks, December 31 of prior year	16,735,531	19,994,049
2.	Cost of bonds and stocks acquired	28,145,129	1,319,844
3.	Accrual of discount		
4.	Increase (decrease) by adjustment		
5.	Increase (decrease) by foreign exchange adjustment		
6.	Total profit (loss) on disposal	(4,683)	
7.	Consideration for bonds and stocks disposed of	17,449,457	4,000,000
8.	Amortization of premium	589,528	578,362
9.	Book/adjusted carrying value, current period	26,836,992	16,735,531
10.	Total valuation allowance		
11.	Subtotal (Lines 9 plus 10)	26,836,992	16,735,531
12.	Total nonadmitted amounts		
13.	Statement value	26,836,992	16,735,531

SCHEDULE D - PART 1B
Showing the Acquisitions, Dispositions and Non-Trading Activity
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1	2	3	4	5	6	7	8
	Book/Adjusted Carrying Value Beginning of Current Quarter	Acquisitions During Current Quarter	Dispositions During Current Quarter	Non-Trading Activity During Current Quarter	Book/Adjusted Carrying Value End of First Quarter	Book/Adjusted Carrying Value End of Second Quarter	Book/Adjusted Carrying Value End of Third Quarter	Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1 .....	..... 142,824,689	..... 337,199,807	..... 404,810,822	..... (209,147)	..... 51,423,566	..... 142,824,689	..... 75,004,527	..... 53,236,334
2. Class 2								
3. Class 3								
4. Class 4								
5. Class 5								
6. Class 6								
7. TOTAL Bonds .....	..... 142,824,689	..... 337,199,807	..... 404,810,822	..... (209,147)	..... 51,423,566	..... 142,824,689	..... 75,004,527	..... 53,236,334
PREFERRED STOCK								
8. Class 1								
9. Class 2								
10. Class 3								
11. Class 4								
12. Class 5								
13. Class 6								
14. TOTAL Preferred Stock								
15. TOTAL Bonds & Preferred Stock .....	..... 142,824,689	..... 337,199,807	..... 404,810,822	..... (209,147)	..... 51,423,566	..... 142,824,689	..... 75,004,527	..... 53,236,334

SCHEDULE DA - PART 1
Short - Term Investments Owned End of Current Quarter

	1 Book/Adjusted Carrying Value	2 Par Value	3 Actual Cost	4 Interest Collected Year To Date	5 Paid for Accrued Interest Year To Date
8299999. TOTALS	48,167,535	X X X	48,220,990	354,314	9,250

SCHEDULE DA - PART 2 - Verification
Short-Term Investments Owned

		1 Year To Date	2 Prior Year Ended December 31
1.	Book/adjusted carrying value, December 31 of prior year	36,500,803	42,076,930
2.	Cost of short-term investments acquired	1,111,234,627	1,263,976,972
3.	Increase (decrease) by adjustment	(53,455)	
4.	Increase (decrease) by foreign exchange adjustment		
5.	Total profit (loss) on disposal of short-term investments		
6.	Consideration received on disposal of short-term investments	1,099,514,440	1,269,553,099
7.	Book/adjusted carrying value, current period	48,167,535	36,500,803
8.	Total valuation allowance		
9.	Subtotals (Lines 7 plus 8)	48,167,535	36,500,803
10.	Total nonadmitted amounts		
11.	Statement value (Lines 9 minus 10)	48,167,535	36,500,803
12.	Income collected during period	345,064	519,993
13.	Income earned during period	321,122	457,860

SCHEDULE DB - PART F - SECTION 1
Summary of Replicated (Synthetic) Assets Open

Replicated (Synthetic) Asset					Components of the Replicated (Synthetic) Asset						
1 Replication RSAT Number	2 Description	3 NAIC Designation or Other Description	4 Statement Value	5 Fair Value	Derivative Instruments Open		Cash Instrument(s) Held				
					6	7	8	9	10	11	12
					Description	Fair Value	CUSIP	Description	Statement Value	Fair Value	NAIC Designation or Other Description
					<div>NONE</div>						
9999999 Totals X X X .....	.....	..... X X X .....	..... X X X .....	.....	.....	..... X X X

SCHEDULE DB - PART F - SECTION 2
Reconciliation of Replicated (Synthetic) Assets Open

		First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Year-To-Date	
		1	2	3	4	5	6	7	8	9	10
		Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value
1.	Beginning Inventory										
2.	Add: Opened or Acquired Transactions										
3.	Add: Increases in Replicated Asset Statement Value	X X X		NONE		X X X		X X X		X X X	
4.	Less: Closed or Disposed of Transactions										
5.	Less: Positions Disposed of for Failing Effectiveness Criteria										
6.	Less: Decreases in Replicated (Synthetic) Asset Statement Value	X X X				X X X		X X X		X X X	
7.	Ending Inventory										

SCHEDULE S - CEDED REINSURANCE
Showing all new reinsurers-Current Year to Date

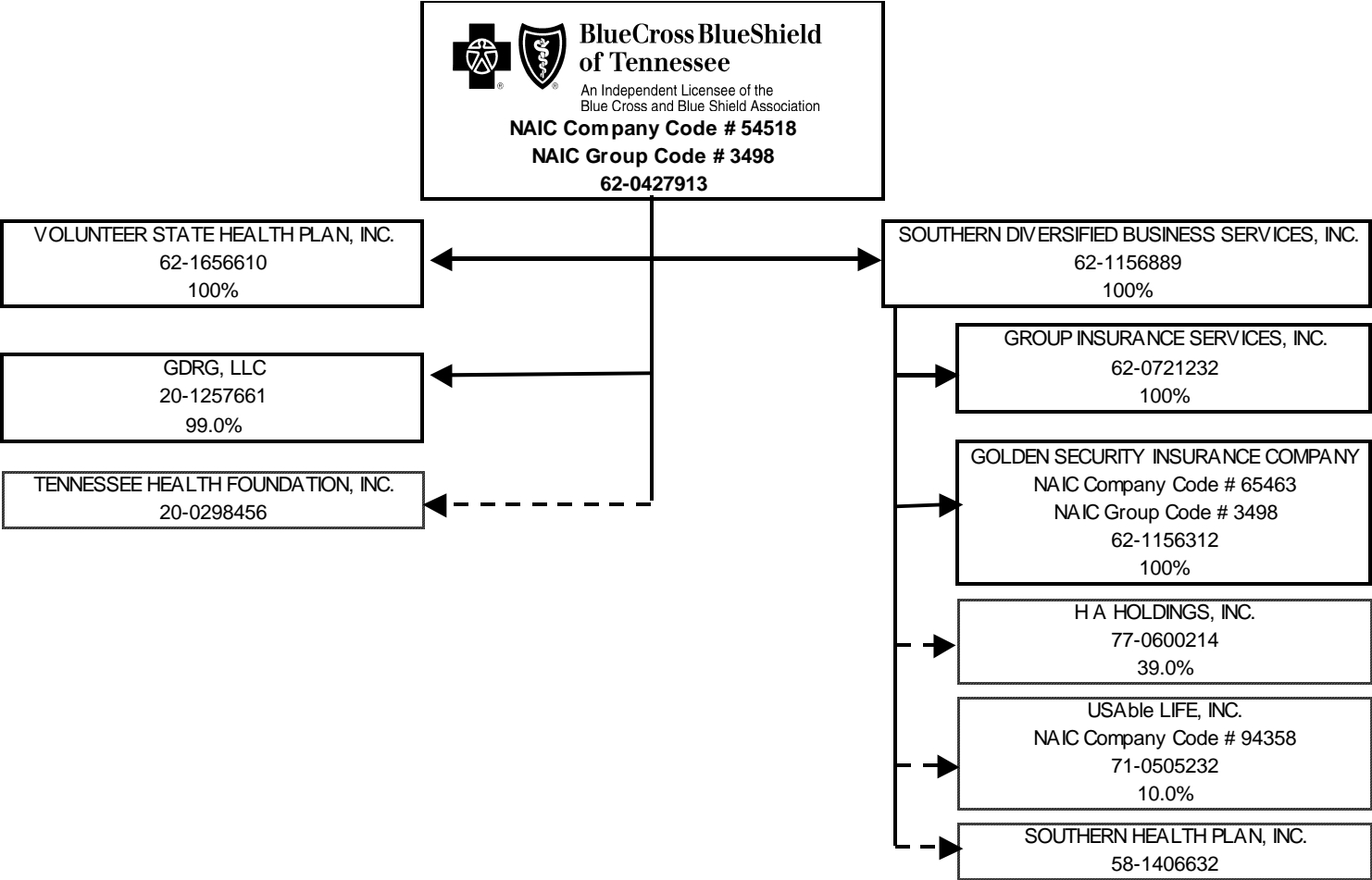
1 NAIC Company Code	2 Federal ID Number	3 Name of Reinsurer	4 Location	5 Is Insurer Authorized? (Yes or No)
		<div>NONE</div>		

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS
Allocated by States and Territories

State, Etc.		1 Guaranty Fund (Yes or No)	2 Is Insurer Licensed (Yes or No)	Direct Business Only Year-to-Date					
				3 Accident and Health Premiums	4 Medicare Title XVIII	5 Medicaid Title XIX	6 Federal Employees Health Benefits Program Premiums	7 Life and Annuity Premiums and Deposit-Type Contract Funds	8 Property/ Casualty Premiums
1.	Alabama (AL)	No ..	No ..						
2.	Alaska (AK)	No ..	No ..						
3.	Arizona (AZ)	No ..	No ..						
4.	Arkansas (AR)	No ..	No ..						
5.	California (CA)	No ..	No ..						
6.	Colorado (CO)	No ..	No ..						
7.	Connecticut (CT)	No ..	No ..						
8.	Delaware (DE)	No ..	No ..						
9.	District of Columbia (DC)	No ..	No ..						
10.	Florida (FL)	No ..	No ..						
11.	Georgia (GA)	No ..	No ..						
12.	Hawaii (HI)	No ..	No ..						
13.	Idaho (ID)	No ..	No ..						
14.	Illinois (IL)	No ..	No ..						
15.	Indiana (IN)	No ..	No ..						
16.	Iowa (IA)	No ..	No ..						
17.	Kansas (KS)	No ..	No ..						
18.	Kentucky (KY)	No ..	No ..						
19.	Louisiana (LA)	No ..	No ..						
20.	Maine (ME)	No ..	No ..						
21.	Maryland (MD)	No ..	No ..						
22.	Massachusetts (MA)	No ..	No ..						
23.	Michigan (MI)	No ..	No ..						
24.	Minnesota (MN)	No ..	No ..						
25.	Mississippi (MS)	No ..	No ..						
26.	Missouri (MO)	No ..	No ..						
27.	Montana (MT)	No ..	No ..						
28.	Nebraska (NE)	No ..	No ..						
29.	Nevada (NV)	No ..	No ..						
30.	New Hampshire (NH)	No ..	No ..						
31.	New Jersey (NJ)	No ..	No ..						
32.	New Mexico (NM)	No ..	No ..						
33.	New York (NY)	No ..	No ..						
34.	North Carolina (NC)	No ..	No ..						
35.	North Dakota (ND)	No ..	No ..						
36.	Ohio (OH)	No ..	No ..						
37.	Oklahoma (OK)	No ..	No ..						
38.	Oregon (OR)	No ..	No ..						
39.	Pennsylvania (PA)	No ..	No ..						
40.	Rhode Island (RI)	No ..	No ..						
41.	South Carolina (SC)	No ..	No ..						
42.	South Dakota (SD)	No ..	No ..						
43.	Tennessee (TN)	No ..	Yes ..			1,064,282			
44.	Texas (TX)	No ..	No ..						
45.	Utah (UT)	No ..	No ..						
46.	Vermont (VT)	No ..	No ..						
47.	Virginia (VA)	No ..	No ..						
48.	Washington (WA)	No ..	No ..						
49.	West Virginia (WV)	No ..	No ..						
50.	Wisconsin (WI)	No ..	No ..						
51.	Wyoming (WY)	No ..	No ..						
52.	American Samoa (AS)	No ..	No ..						
53.	Guam (GU)	No ..	No ..						
54.	Puerto Rico (PR)	No ..	No ..						
55.	U.S. Virgin Islands (VI)	No ..	No ..						
56.	Canada (CN)	No ..	No ..						
57.	Aggregate other alien (OT)	X X X ..	X X X ..						
58.	TOTAL (Direct Business)	X X X ..	(a).....1			1,064,282			
DETAILS OF WRITE-INS									
5701	.....	X X X ..	X X X ..						
5702	.....	X X X ..	X X X ..						
5703	.....	X X X ..	X X X ..						
5798.	Summary of remaining write-ins for Line 57 from overflow page	X X X ..	X X X ..						
5799.	TOTALS (Lines 5701 through 5703 plus 5798) (Line 57 above)	X X X ..	X X X ..						

(a) Insert the number of yes responses except for Canada and Other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART



SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

1. Will the SVO Compliance Certification be filed with this statement?

RESPONSES

Yes

Explanation:

Bar Code:

OVERFLOW PAGE FOR WRITE-INS

LIABILITIES, CAPITAL AND SURPLUS

		Current Period			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
2104.	Payable to THP	85,082		85,082	81,410
2105.	Exigency Post-Settlement Activity	55,153		55,153	93,741
2106.	Contingent Legal Liability				700,000
2107.	.....			
2197.	Summary of remaining write-ins for Line 21 (Line 2104 through 2196)	140,235		140,235	875,151

STATEMENT OF REVENUE AND EXPENSES

		Current Year To Date		Prior Year To Date
		1 Uncovered	2 Total	3 Total
0604.	Critical Access Payments	X X X	(3,018,819)	
0605.	GME Payments	X X X	(50,135,776)	(33,349,225)
0606.	Essential Provider Payments	X X X	(102,040,816)	(75,000,000)
0697.	Summary of remaining write-ins for Line 6 (Lines 0604 through 0696)	X X X	(155,195,411)	(108,349,225)

SCHEDULE A - PART 2
Showing all Real Estate ACQUIRED During the Current Quarter

1 Description of Property	Location		4 Date Acquired	5 Name of Vendor	6 Actual Cost	7 Amount of Encumbrances	8 Book/Adjusted Carrying Value Less Encumbrances	9 Expended for Additions and Permanent Improvements
	2	3						
	City	State						
NONE								
9999999 Totals

SCHEDULE A - PART 3
Showing all Real Estate SOLD during the Quarter, including Payments during the Final Year on "Sales under Contract"

1 Description of Property	Location		4 Disposal Date	5 Name of Purchaser	6 Actual Cost	7 Increase (Decrease) by Adjustment	8 Increase (Decrease) by Foreign Exchange Adjustment	9 Expended for Additions, Permanent Improvements and Changes in Encumbrances	10 Book/Adjusted Carrying Value Less Encumbrances	11 Amounts Received	12 Foreign Exchange Profit (Loss) on Sale	13 Realized Profit (Loss) on Sale	14 Total Profit (Loss) on Sale	15 Gross Income Earned Less Interest Incurred on Encumbrances	16 Taxes, Repairs and Expenses Incurred
	2 City	3 State													
					N O N E										
9999999 Totals .....					.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....

SCHEDULE B - PART 1

Showing all Mortgage Loans ACQUIRED during the Current Quarter

1	Location		4	5	6	7	8	9	10	11
	2	3								
Loan Number	City	State	Loan Type	Date Acquired	Rate of Interest	Book Value/Recorded Investment Excluding Accrued Interest	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Value of Land and Buildings	Date of Last Appraisal or Valuation
NONE										
9999999 GRAND TOTAL X X X ..

SCHEDULE B - PART 2

Showing all Mortgage Loans SOLD, transferred or paid in full during the Current Quarter

1	Location		4	5	6	7	8	9	10	11	12	13
	2	3										
Loan Number	City	State	Loan Type	Date Acquired	Book Value/Recorded Investment Excluding Accrued Interest Prior Year	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Book Value/Recorded Investment Excluding Accrued Interest at Disposition	Consideration Received	Foreign Exchange Profit (Loss) on Sale	Realized Profit (Loss) on Sale	Total Profit (Loss) on Sale
NONE												
9999999 Totals

E02

SCHEDULE BA - PART 1

Showing Other Long-Term Invested Assets ACQUIRED during the Current Quarter

1 Number of Units and Description	Location		4 Name of Vendor	5 Date Acquired	6 Actual Cost	7 Amount of Encumbrances	8 Book/Adjusted Carrying Value Less Encumbrances	9 Increase (Decrease) by Adjustment	10 Increase (Decrease) by Foreign Exchange Adjustment
	2 City	3 State							
N O N E									
9999999 Totals

SCHEDULE BA - PART 2

Showing Other Long-Term Invested Assets SOLD, transferred or paid in full during the Current Quarter

1 Number of Units and Description	Location		4 Name of Purchaser or Nature of Disposition	5 Date Acquired	6 Book/ Adjusted Carrying Value Less Encumbrances Prior Year	7 Increase (Decrease) by Adjustment	8 Increase (Decrease) by Foreign Exchange Adjustment	9 Book Adjusted/ Carrying Value Less Encumbrances at Disposition	10 Consideration Received	11 Foreign Exchange Profit (Loss) on Sale	12 Realized Profit (Loss) on Sale	13 Total Profit (Loss) on Sale
	2 City	3 State										
NONE												
9999999 Totals												

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10
CUSIP Identification	Description	Foreign	Date Acquired	Name of Vendor	Number of Shares of Stock	Actual Cost	Par Value	Paid for Accrued Interest and Dividends	NAIC Designation or Market Indicator (a)
Bonds - U.S. Governments									
3128X3GL1	FEDERAL HOME LOAN MTG CORP MULTI		08/17/2004	Morgan Keegan	X X X	1,007,750	1,000,000.00	7,205	1
0399999 Subtotal - Bonds - U.S. Governments					X X X	1,007,750	1,000,000.00	7,205	X X X
6099997 Subtotal - Bonds - Part 3					X X X	1,007,750	1,000,000.00	7,205	X X X
6099998 Summary Item for Bonds Bought and Sold This Quarter					X X X	X X X	X X X	X X X	X X X
6099999 Subtotal - Bonds					X X X	1,007,750	1,000,000.00	7,205	X X X
6599998 Summary Item for Preferred Stock Bought and Sold This Quarter					X X X	X X X	X X X	X X X	X X X
7299998 Summary Item for Common Stock Bought and Sold This Quarter					X X X	X X X	X X X	X X X	X X X
7399999 Subtotal - Preferred and Common Stock					X X X	X X X	X X X	X X X	X X X
7499999 Total - Bonds, Preferred and Common Stock					X X X	1,007,750	X X X	7,205	X X X

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stocks Sold, Redeemed, or Otherwise Disposed of
by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identification	Description	F o r e i g n	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/ Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11 + 12 - 13)	Total Foreign Exchange Change in B./A.C.V.	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/ Stock Dividends Received During Year	Maturity Date	NAIC Designation or Market Indicator (a)
Bonds - Industrial and Miscellaneous																					
718507BP0	PHILLIPS PETE CO NT		08/13/2004	Call	X X X	1,049,457	1,000,000.00	1,092,690	1,092,690		(38,549)		(38,549)		1,054,141		(4,683)	(4,683)	22,367	05/25/2005	1
4599999	Subtotal - Bonds - Industrial and Miscellaneous				X X X	1,049,457	1,000,000.00	1,092,690	1,092,690		(38,549)		(38,549)		1,054,141		(4,683)	(4,683)	22,367	X X X	X X X
6099997	Subtotal - Bonds - Part 4				X X X	1,049,457	1,000,000.00	1,092,690	1,092,690		(38,549)		(38,549)		1,054,141		(4,683)	(4,683)	22,367	X X X	X X X
6099998	Summary Item for Bonds Bought and Sold This Quarter				X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X
6099999	Subtotal - Bonds				X X X	1,049,457	1,000,000.00	1,092,690	1,092,690		(38,549)		(38,549)		1,054,141		(4,683)	(4,683)	22,367	X X X	X X X
6599998	Summary Item for Preferred Stock Bought and Sold This Quarter				X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X
7299998	Summary Item for Common Stock Bought and Sold This Quarter				X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X
7399999	Subtotal - Preferred and Common Stock				X X X		X X X													X X X	X X X
7499999	Total - Bonds, Preferred and Common Stock				X X X	1,049,457	X X X	1,092,690	1,092,690		(38,549)		(38,549)		1,054,141		(4,683)	(4,683)	22,367	X X X	X X X

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues

SCHEDULE DB - PART A - SECTION 1

Showing all Options, Caps, Floors and Insurance Futures Options Owned at Current Statement Date

1	2	3	4	5	6	7	8	9	10	11	12	13	14
Description	Number of Contracts or Notional Amount	Date of Maturity, Expiry, or Settlement	Strike Price Rate or Index	Date of Acquisition	Exchange or Counterparty	Cost/ Option Premium	Book Value	*	Statement Value	Fair Value	Year to Date Increase/ (Decrease) by Adjustment	Used to Adjust Basis of Hedged Item	Other Investment/ Miscellaneous Income
NONE													
9999999 Grand Total

SCHEDULE DB - PART B - SECTION 1

Showing all Options, Caps, Floors and Insurance Futures Options Written and In-Force at Current Statement Date

1	2	3	4	5	6	7	8	9	10	11	12	13	14
Description	Number of Contracts or Notional Amount	Date of Maturity, Expiry, or Settlement	Strike Price Rate or Index	Date of Issuance/ Purchase	Exchange or Counterparty	Consideration Received	Book Value	*	Statement Value	Fair Value	Year to Date Increase/ (Decrease) by Adjustment	Used to Adjust Basis	Other Investment/ Miscellaneous Income
NONE													
9999999 Grand Total

SCHEDULE DB - PART C - SECTION 1

Showing all Collar, Swap and Forwards Open at Current Statement Date

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Description	Notional Amount	Date of Maturity, Expiry, or Settlement	Strike Price Rate or Index Rec (Pay)	Date of Opening Position or Agreement	Exchange or Counterparty	Cost or (Consideration Received)	Book Value	*	Statement Value	Fair Value	Year to Date Increase/ (Decrease) by Adjustment	Used to Adjust Basis of Hedged Item	Other Investment/ Miscellaneous Income	Potential Exposure
NONE														
9999999 Grand Total

SCHEDULE DB - PART D - SECTION 1

Showing all Futures Contracts and Insurance Futures Contracts at Current Statement Date

1	2	3	4	5	6	7	8	9	Variation Margin Information			13
									10	11	12	
Description	Number of Contracts	Maturity Date	Original Value	Current Value	Variation Margin	Date of Opening Position	Exchange or Counterparty	Cash Deposit	Recognized	Used to Adjust Basis of Hedged Item	Deferred	Potential Exposure
NONE												
9999999 Grand Total X X X .	..... X X X .....	.....	.....	.....	.....	.....

SCHEDULE E - PART 1 - CASH

Month End Depository Balances

1			2	3	4	5	Book Balance at End of Each Month During Current Quarter			9
Depository			Code	Rate of Interest	Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	6	7	8	*
							First Month	Second Month	Third Month	
open depositories										
Union Planters Bank, NA	7130 Goodlett Farms Pkwy, Cordova, TN 38018						(1,302,184)	..... 273,203	... (211,510)	X X X
Union Planters Bank, NA	7130 Goodlett Farms Pkwy, Cordova, TN 38018						(9,075,810)	(7,730,187)	(1,925,072)	X X X
Union Planters Bank, NA	7130 Goodlett Farms Pkwy, Cordova, TN 38018						(16,911,401)	(14,374,255)	(5,227,066)	X X X
0199998 Deposits in .....3 depositories that do not exceed the allowable limit in any one depository (See Instructions) - open depositories ..			X X X ..	... X X X ..			..... 479,176	..... 428,833	..... 58,160	X X X
0199999 Totals - Open Depositories			X X X ..	... X X X ..			(26,810,219)	(21,402,406)	(7,305,488)	X X X
0299998 Deposits in depositories that do not exceed the allowable limit in any one depository (See Instructions) - suspended depositories			X X X ..	... X X X ..						X X X
0299999 Totals - Suspended Depositories			X X X ..	... X X X ..						X X X
0399999 Total Cash On Deposit			X X X ..	... X X X ..			(26,810,219)	(21,402,406)	(7,305,488)	X X X
0499999 Cash in Company's Office			X X X ..	... X X X ..	X X X ..	... X X X ..				X X X
0599999 Total Cash			X X X ..	... X X X ..			(26,810,219)	(21,402,406)	(7,305,488)	X X X



SVO Compliance Certification

"The undersigned is an officer of the insurer responsible for reporting investments to the SVO and/or with making all filings with appropriate state regulatory officials and the NAIC and is therefore required to be familiar with the requirements of such filings. The undersigned officer certifies that, to the best of his or her knowledge, information, and belief, all prices or NAIC designations for the securities reported in this statement have been obtained directly from the SVO except as specifically identified below. The officer further certifies that, to the best of his or her knowledge, information, and belief, since the last filing of a quarterly or annual statement:

- 1. All securities previously valued by the insurer and identified by a Z suffix have now been submitted to the SVO for a valuation or disposed of by sale or otherwise with the result that all prices and NAIC Designations reported in this statement have been provided by the SVO, except for provisionally exempt securities and new purchases identified in Schedule D and DA with a Z suffix or items submitted but not yet processed by the SVO.
- 2. Any newly purchased securities now identified with a Z suffix shall be submitted to the SVO within 120 days of purchase.
- 3. All necessary information on securities that have been previously designated NR (not rated due to lack of current information) by the SVO have either been submitted to the SVO by the insurer for a valuation or disposed of by the insurer.
- 4. All material issuer events (as defined below) have been reported to the SVO."

A material issuer event is a generic or transaction specific credit event of which the insurer is currently aware that, by its nature, would signify to a reasonably prudent insurer that a material change in the credit quality or price of the investment or security has occurred.

As an illustration, and not by way of limitation, the following shall be deemed to constitute material issuer events:

- a. Recapitalizations or capital restructuring whether within or without Chapter 11 of the US Bankruptcy Code;
- b. Nonpayment, deferral, or payment in kind through waiver of any principal or contractual interest payment;
- c. Any change in the maturity of a security;
- d. Changes in the lender’s collateral position, including releases of collateral, or the taking of a collateral position whether by operation of negative pledge covenant or otherwise;
- e. Events of a like character or of a like effect, which would be considered material to an investment professional.
- f. Exceptions_____

Harold Hoke Cantrell, Jr.
Name of Investment Officer

Signature of Investment Officer

Assistant Treasurer
Title of Signatory

Date

**INDEX TO HEALTH
QUARTERLY STATEMENT**

Accident and Health Insurance; 18
Accounting Changes and Corrections of Errors; Q11; 25, Note 2
Accounting Practices and Policies; Q5; 25, Note 1
Admitted Assets; Q2; 2; 29; Supp10; 26
Affiliated Transactions; 52; E14
Bonds; Q2; Q6; Q11.1; QE04; QE05; 2; 6; 15; 16; 26; 27.2; 27.4; 29; 32; 33; 34; 35; 36; 37; 38; E08; E11; E12; E13; Supp7
Bonuses; Q3; Q4; Q8; Q9; 3; 4; 7; 9; 11; 20; 23; 28.1; 49
Borrowed Funds; Q3; Q6; 3; 6
Business Combinations and Goodwill; 25, Note 3
Capital Gains (Losses) <ul style="list-style-type: none">Realized; Q4; 4; 7; 29; 40; E12; E13; E21Unrealized; Q4; Q5; 4; 5
Capital Stock; Q2; 2; 25, Note 13
Capital Notes; Q6; 6; 25, Note 11
Cash; Q2; Q6; QE08; 2; 6; 15; 16; 26; 49; E23
Cash Equivalents; Q2; Q6; 2; 6; 15; 16; 26; E24
Claims; Q3; Q8; 3; 9; 11; 12; 20; 29; 48; 49; Supp1; Supp27; Supp48; Supp55; Supp57; Supp58; Supp59; Supp60; Supp61; Supp62
Coinsurance; 44; Supp17
Collars; QE07
Commissions; Q6; 6; 48; Supp25; Supp55
Common Stock; Q2; Q3; Q6; Q11.1; 2; 3; 6; 15; 16; 26; 27; 28; 29; 32; E10; E11; E12; E13; Supp7
Cost Containment Expenses; Q4; 4; 7; 19; Supp59
Contingencies; 25, Note 14
Counterparty Exposure; 25, Note 8
Debt; 25, Note 11
Deferred Compensation; 25, Note 2
Derivative Instruments; Q15; 25, Note 8; 42
Deposit-Type Contracts; Supp16
Discontinued Operations; 25, Note 4
Electronic Data Equipment; Q2; 2; 16
Encumbrances; Q2; QE01; 2; E02; E03; E06; E07
Emergency Room; Q4; 4; 7
Enrollment and Utilization; 17
Expenses; Q3; Q4; Q6; 3; 4; 6; 7; 12; 14; 15; 27.4; 29; Supp49; Supp55; Supp56; Supp59; Supp60; Supp61; Supp62
Experience Rating Refunds; 13; Supp20
Extinguishment of Liabilities; 25, Note 17
Extraordinary Item; 25, Note 21
Fee for Service; Q4; 4; 7; 23
Foreign Exchange; Q2; Q5; Q12; QE01; QE02; 2; 5; 16; 31; 32; 39; E01; E02; E03; E05; E06; E07; E09; E12; E13; E15
Forwards; QE07; 41; E19; E20
Furniture, Equipment and Supplies; Q2; 2; 16; 24
Futures Contracts; 41
Guaranty Fund; Q2; Q18; 2; 16; 50
Health Care Receivables; Q2; 2; 16; 19; 25, Note 28
Health Statement Test; 28
Hospital/Medical Benefits; Q4; 4; 7; 48
Incentive Pools; Q3; Q4; Q9; 3; 4; 7; 9; 11; 20; 23; 28.1; 49
Income; Q4; Q5; 4; 5; 29
Income Taxes; Q2; Q3; Q4; Q5; 2; 3; 4; 5; 15; 16; 25, Note 9; Supp57
Incurred Claims and Claim Adjustment Expenses; Supp49; Supp50; Supp51; Supp52; Supp53; Supp54; 25, Note 25
Intercompany Pooling; Supp27; Supp28; Supp29; Supp30; Supp31; Supp32; Supp33; Supp34; Supp35; Supp36; Supp37; Supp38; Supp39; Supp40; Supp41; Supp42; Supp43; Supp44; Supp45; Supp46; SUp47; Supp48; 25, Note26
Investment Income; 25, Note 7 <ul style="list-style-type: none">Accrued; Q2; 2; 16Earned; Q2; Q14; 4; 15; 39; E24Received; Q6; 6; 39
Investments; Q11.1; 15; 27.3; Supp7; Supp12; Supp57; 25, Note 5
Joint Ventures; 25, Note 6
Leases; 25, Note 15
Limited Liability Company (LLC); 25, Note 6
Limited Partnership; 25, Note 6
Long-Term Care Insurance; 8; 53; Supp3; Supp4; Supp5; Supp6
Long-Term Invested Assets; QE03; 31; E06
Loss Development; 12
Managing General Agents; 25, Note 19
Maximum Retained Risk; 28
Member Months; Q4; Q7; 4; 17; 29; 30
Minimum Net Worth; 28.1
Mortgage Loans; Q2; Q6; Q11.1; QE02; 2; 6; 15; 16; 26; 29; E04; E05; Supp11
Non Admitted Assets; Q2; Q5; Q12; 2; 5; 16; 32; 39
Off-Balance Sheet Risk; 25, Note 16
Options; QE06; 27.2; 40; E16; E17; E18
Organizational Chart; Q11; Q19; 51

**INDEX TO HEALTH
QUARTERLY STATEMENT**

Out-of-Area; Q4; 4; 7

Outside Referrals; Q4; 4; 7

Parents, Subsidiaries and Affiliates; Q2; Q3; Q11.1; 2; 3; 16; 21; 25, Note 10; 22; 32

Participating Policies; 25, Note 29; Supp15

Pharmaceutical Rebates; 25, Note 28

Policyholder Dividends; Q6; 6; Supp55

Postemployment Benefits; 25, Note 12

Postretirement Benefits; 25, Note 12

Preferred Stock; Q2; Q3; Q6; Q11.1; 2; 3; 6; 15; 16; 26; 27.2; 27.4; 29; 32; E09; E11; E12; E13; Supp7

Premium Deficiency Reserves; 25, Note 30

Premiums and Considerations

 Advance; Q3; 3; 49

 Collected; Q6; 6

 Deferred; Q2; 2

 Direct; Q7; Q18; 28; 30; 49; 50; Supp20

 Earned; Q7; 7; 12; 28; 29; 30; Supp1; Supp27; Supp55; Supp57

 Retrospective; Q2; 12

 Uncollected; Q2; 2; 16

 Unearned; Q4; 4; Q7; 7; 13

 Written; Q4; Q7; 4; 18; 30; 49; 50; Supp20; Supp55; Supp59; Supp60; Supp61; Supp62

Prescription Drugs; Q4; 4; 7

Product Type; 17

Provider Transactions; 23

Quasi Reorganizations; 25, Note 13

Real Estate; Q2; QE01; 2; 15; 16; 26; 29; E01; E02; E03

Redetermination, Contracts Subject to; 25, Note 24

Reinsurance; 25, Note 23

 Assumed; 8; 9; 10; 44; Supp17; Supp25; Supp26; Supp27; Supp28; Supp29; Supp30; Supp31; Supp32; Supp33; Supp34; Supp35; Supp36; Supp37; Supp38; Supp39; Supp40; Supp41; Supp42; Supp43; Supp44; Supp45; Supp46; Supp47; Supp48

 Ceded; Q3; Q17; 3; 8; 9; 10; 44; Supp14; Supp26; Supp27; Supp28; Supp29; Supp30; Supp31; Supp32; Supp 33; Supp34; Supp35; Supp36; Supp37; Supp38; Supp39; Supp40; Supp41; Supp42; Supp43; Supp44; Supp45; Supp46; Supp47; Supp48

 Claims; 9; 10; 44; 45; 48

 Funds Held; Q2; 2; 16; Supp25

 Payable; Q3; 3; 45

 Premiums; Q3; 3; 8

 Receivable; Q2; Q4; 2; 7; 9; 16; 48; 49

 Unauthorized; Q3; Q5; 3; 47; 48; 49

Reserves

 Accident and Health; Q3; Q4; 3; 4; 7

 Annuity; Supp19

 Claims; Q3; Q5; Q8; 3; 5; 9

 Life; Q3; 3; 7; Supp14

Retirement Plans; 25, Note 12; Supp22

Retrospectively Rated Policies; 25, Note 24

Risk-Based Capital; 53

 Adjusted Capital; 29

 Authorized Control Level; 29

Risk Revenue; Q4; 4; 7

Salvage and Subrogation; 25, Note 31; Supp27; Supp28; Supp29; Supp30; Supp31; Supp 32; Supp33; Supp34; Supp35; Supp36; Supp37; Supp38; Supp39; Supp40; Supp41; Supp42; Supp43; Supp44; Supp45; Supp46; Supp47; Supp48

September 11 Events; 25, Note 20

Servicing of Financial Assets; 25, Note 17

Short-Term Investments; Q2; Q6; Q11.1; Q14; 2; 6; 15; 26; 29; 39; E15

Special Deposits; E25

Stockholder Dividends; Q5; 5

Stop Loss; 8

Subsequent Events; 25, Note 22

Surplus; Q3; Q5; 3; 5; 25, Note 13; 29

Surplus Notes; Q3; Q5; Q6; 3; 5; 6

Swaps; QE07; E19; E20

Synthetic Assets; Q15; Q16; 42; 43

Third Party Administrator; 25, Note 19

Treasury Stock; Q3; Q5; 3; 5; 6

Uninsured Accident and Health; Q2; Q3; 2; 3; 16; 25, Note 18

Wash Sales; 25, Note 17

Withholds; Q4; Q8; 4; 7; 10; 20; 23; 28.1

EXHIBIT 3 - ACCIDENT AND HEALTH PREMIUMS DUE AND UNPAID

1	2	3	4	5	6	7
Name of Debtor	1 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Nonadmitted	Admitted
0199999 Total individuals						
0299999 Total group						
0399999 Premiums due and unpaid from Medicare entities						
			NONE			
0499999 Premiums due and unpaid from Medicaid entities						
0599999 Accident and health premiums due and unpaid (Page 2, Line 12)						

EXHIBIT 4 - HEALTH CARE RECEIVABLES

1	2	3	4	5	6	7
Name of Debtor	1 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Nonadmitted	Admitted
0499999 Receivables not individually listed	11,921	51,411	432	1,012,345	1,012,345	63,764
0599999 Gross health care receivables					1,012,345	63,764
0699999 Less allowance for doubtful accounts					1,012,290	63,764
0799999 Health care receivables					55	0

Reconciliation of Revenues Received from the State - 2004 YTD

	<u>MCO 2 & 19</u>
Revenues:	
Total of trailer records from the State:	
January Net Claims Transactions	3,412,573
February Net Claims Transactions	3,470,015
March Net Claims Transactions	3,471,870
April Net Claims Transactions	3,478,192
May Net Claims Transactions	3,497,474
June Net Claims Transactions	3,454,626
July Net Claims Transactions	3,434,766
August Net Claims Transactions	3,439,566
September Net Claims Transactions	3,428,625
GME, Meharry, Critical Access, and EPP Premium Taxes	1,135,015
Essential Provider Payments	102,040,816
GME Funds	50,135,776
Meharry Dental Program	2,461,149
Critical Access Funds	3,018,819
Additional Premiums (Amount billed to State for > \$28M losses)	1,064,282
Less: Stabilization Plan Net Claims Transactions	
January	(3,412,573)
February	(3,470,015)
March	(3,471,870)
April	(3,478,192)
May	(3,497,474)
June	(3,454,626)
July	(3,434,766)
August	(3,439,566)
September	(3,428,625)
GME, Meharry, Critical Access, and EPP Premium Taxes	(1,135,015)
Critical Access Payments	(3,018,819)
Meharry Dental Program	(2,461,149)
GME Provider Payments	(50,135,776)
Essential Provider Payments	<u>(102,040,816)</u>
Total (per DOI)	1,064,282

EXHIBIT 6 - AMOUNTS DUE FROM PARENT, SUBSIDIARIES AND AFFILIATES

1 Name of Affiliate	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 Over 90 Days	6 Nonadmitted	Admitted	
						7 Current	8 Non-Current
Individually listed receivables							
BlueCross BlueShield of Tennessee, Inc.	249,865	.....	.....	.....	.....	249,865	.....
0199999 Total - individually listed receivables	249,865	.....	.....	.....	.....	249,865	.....
0299999 Receivables not individually listed .....	.....	.....	.....	.....	.....	.....	.....
0399999 Total gross amounts receivable	249,865	.....	.....	.....	.....	249,865	.....

EXHIBIT 7 - AMOUNTS DUE TO PARENT, SUBSIDIARIES AND AFFILIATES

Affiliate	2 Description	3 Amount		
			4 Current	5 Non-Current
BlueCross BlueShield of Tennessee, Inc.	ITS claims	532,650	532,650	.....
0199999 Total - Individually listed payables	.....XXX.....	532,650	532,650	.....
0299999 Payables not individually listed	.....XXX.....	.....	.....	.....
0399999 Total gross payables	.....XXX.....	532,650	532,650	.....